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Service Plan
2006/07 – 2008/09

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Forestry Innovation Investment Ltd.

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MESSAGE FROM THE BOARD CHAIR TO THE MINISTER RESPONSIBLE

January 25, 2006

The Honourable Rich Coleman
Minister of Forests and Range
Province of British Columbia

Dear Minister:

I am pleased to present you with *Forestry Innovation Investment Ltd.'s Service Plan 2006/07 – 2008/09*. This plan sets out the corporation's goals and objectives, the strategies it will use to attain them and performance measures and targets for the next three years. It also reflects the increased funding levels provided by your ministry to support mountain pine beetle initiatives, showcasing BC forest products in the 2010 Olympics, and promoting wood products in the United States' non-residential construction market.

As markets become more volatile and competition increases around the globe, FII continues to place a high value on a partnered and coordinated approach to marketing activities to ensure BC's reputation as a premier forest products supplier to the world. FII's strength is its ability to bring industry and government together, build a strong and inclusive brand image for BC's forest products, and represent government in activities that help to open new markets.

A stakeholder survey has confirmed that Forestry Innovation Investment Ltd. has established itself as a well-respected and strategic partner in industry's efforts to increase and diversify markets for the province's forest products.

We, and our partners, are making progress. For example, FII and its partners have made increasing progress in Asian markets where regulatory barriers have been modified to ensure improved access for wood-frame construction. Last year, wood construction codes in Japan were modified to accept three- and four-storey non residential buildings, while Korea altered its fire code to allow for greater use of wood-frame construction.

The challenges however are unrelenting. Other countries and jurisdictions strive to out-compete us in many of our existing and target markets, composite wood products are gaining prominence and appeal, steel and concrete continue to be the products of choice for many large buildings while misunderstandings and misconceptions about wood-frame construction persist. FII and its industry partners are working diligently to overcome these challenges.

In the coming year, FII will place much greater emphasis on mountain pine beetle programming through the development of comprehensive marketing and product-development activities. FII also expects to join other government agencies and industry representatives to develop strategies to support the Coastal forest industry as it pursues new markets, improved product flow and a return to economic strength.

In the prominent Chinese market, FII and its land-development partner Jingqiao Development Co., will complete two single-family homes to further demonstrate the versatility and features of wood-frame construction. FII expects to engage other development companies to introduce BC wood products into massive renovation programs now underway in many large Chinese cities. Similarly, FII will contribute to the construction of at least one new "hybrid" apartment building consisting of traditional concrete and BC lumber.

Domestically, FII will be a partner in the showcasing of BC forest products in 2010 Olympic venues. Through the placement of key examples of the fine and beautiful wood products BC companies produce, the forest industry plans to leverage the display of large-scale laminated beams, other structural products and fine finishing materials into a campaign to promote the use of wood in the expansive non-residential market in the United States.

FII will also continue to ensure customers have factual, credible information about our province's forest management and the environmental attributes of building with wood over other products.

With these goals in mind, FII recognizes how critical its employees are to the organization and its success. Through the dedication and commitment of FII employees, the company will continue to strive for a highly effective and well-managed organization that makes a strong contribution to the success of the BC forest industry and through it, the province.

The 2006/07-2008/09 FII Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of the performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions and identified risks as of December 15, 2005, have been considered in the preparation of the plan. I am accountable for ensuring Forestry Innovation Investment Ltd. achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

Doug Konkin

Chair, Board of Directors
January 25, 2006

OVERVIEW

The British Columbia government owns approximately 95 percent of the province's land base. The forest industry that operates on some of that land is a $15 billion industry that touches every corner of the province and directly employs an estimated 90,000 residents within it. Including secondary employment of about 130,000 workers, BC's forest sector accounts for approximately one job in every five in BC.

The prosperity of the BC forest industry is dependent on continuing demand for our products in world markets. Approximately 85% of our forest products are sold to customers in the United States, Japan and Europe. The prosperity of our forest sector, and our province, depends on maintaining and building demand for our products in these world markets, markets that are becoming increasingly complex and competitive.

Forestry Innovation Investment Ltd. (FII) was established in March, 2003, with a mandate to:

- help maintain, build and diversify market opportunities for BC's forest products;
- help break down trade and market barriers to ensure opportunities for BC wood;
- work with the forest industry to position BC as a global leader in sustainable forest management; and,
- help ensure the forest sector, through strong international sales, continues to be a leading contributor to the BC economy.

FII delivers on its goals through formal arrangements with industry associations, academic institutions and other organizations, engaging external consultants and its own expertise.

FII supports the forest sector by:

- undertaking market research and developing market strategies;
- sponsoring demonstration products and technology transfer;
- working with foreign governments to develop their codes and standards to enable private business;
- testing the attributes of new forest products;
- promoting BC's wood products and available species; and,
- communicating BC's forest-management record.

FII is particularly committed to long-term engagement in markets that require significant investment of time to mature the relationship.

The FII model also lends itself to a strong federal/provincial/private collaboration with:

- a critical mass of expertise and energy;
- common branding in foreign markets;
- incentive-based funding opportunities; and,
- efficient harmonization of roles and responsibilities.

FII works with its partners, forest industry associations, education and research institutions, other government departments and others to:

- identify opportunities and challenges that require follow-up, study or action. (For example, last year, wood construction codes in Japan were accepted for three- and four-storey non residential buildings. Korea has just altered its fire code to allow for greater use of wood-frame construction while in China, new fire and wood-frame building codes will be critical to the success of supplying increased volumes of BC wood to that market.)
- provide funding to industry associations and institutions to research specific markets and develop innovative products that will open doors to new wood sales or help retain or expand sales in existing markets. (An example of a funded project is an ambitious advertising campaign promoting the use of Western Red Cedar in the critical United States market.)
- demonstrate wood-frame construction products and techniques in the key Chinese market;
- provide factual information on BC's forest management practices to international buyers; and,
- challenge legislation in other jurisdictions that might discriminate against the flow of BC wood.

Key stakeholders and partners

FII's key stakeholders and partners include:

- BC's forest companies;
- the forest industry trade associations that represent large and small companies around the province;
- federal government departments such as Natural Resources Canada (Canada Wood Export Program) and Canada's foreign consulates and embassies;
- academic and research institutions engaged in forest product studies;
- municipal governments in rural BC; and,
- the Ministries of Forests and Range and Economic Development.

CORE PROGRAM AREAS AND SERVICES

FII categorizes its activities according to the following three business areas:

- Market Development Programs;
- The BC Market Outreach Network; and,
- Corporate support.

Market Development Business Area

The Market Development Business Area is comprised of the following programs:

- International Marketing;
- Market Access;
- Product Development;
- China Market Development;
- Mountain Pine Beetle; and,
- Domestic Market Development.

The Market Development programs use project funding and partnerships with the Government of Canada, forest industry associations and research institutions, to:

- maintain and create opportunities for BC wood products in existing and emerging markets
- ensure BC forest products have access to markets free from regulatory and other barriers;
- ensure buyers, consumers, designers, builders, developers and architects know about BC wood products and the many positive features they bring to wood-frame construction and interior finishing;
- support the development of innovative new forest products, including products using pine harvested from mountain pine beetle-attacked forests; and,
- provide markets and audiences with information on the properties and qualities of BC's premier forest products as well as the BC companies that supply them.

International Marketing Program

FII's International Marketing Program supports the promotion of British Columbia's wood products and species to international customers and specifiers of wood building/finishing products. This i ncludes activities such as:

- participation in international wood product tradeshows;
- offering technical and promotional seminars and workshops;
- developing promotional materials, brochures, multi-media tools, and websites;
- running advertising and promotional campaigns; and,
- participating in promotional demonstration projects (Street of Dreams, make-over and do-it-yourself TV programs, etc.)

CORE PROGRAM AREAS AND SERVICES

FII also recognizes that a key to success in International Marketing (as well as in all other program areas listed below) is a strong focus on market research and market intelligence. With an increasingly competitive and evolving global forest industry, timely market research is key to identifying new and evolving market opportunities and maintaining competitive product advantage.

These initiatives are typically cost shared with and delivered by the BC forest industry and their various trade associations.

Market Access Program

FII's Market Access Program is designed to enable unrestricted market access for BC manufacturers into key forest product markets around the world. This may include:

- support for building or fire code development (or their adoption);
- ensuring markets recognize BC wood species and grades;
- identifying and overcoming non-tariff trade barriers, such as product testing and/or product marking requirements; and,
- staying abreast of and addressing phyto-sanitary regulations and restrictions.

These initiatives are typically delivered jointly on behalf of the BC and the Canadian forest industry and coordinated through the Canada Wood Group.

Product Development Program

FII recognizes that success requires ongoing innovation and product development to respond to the changing needs of international customers and to take advantage of new and evolving market opportunities for wood products.

Through the Product Development Program, FII supports industry partnered initiatives to evolve existing products or to develop new forest products. These products may be geared to existing forest product markets or for new and evolving markets. FII also supports technical research to quantify product qualities and attributes, and complete product testing for market acceptance.

Product Development projects are typically led by industry research institutions or by industry trade associations.

China Market Development Program

Recognizing the importance of China to the global marketplace and the significant potential this market offers for wood products globally, FII has a separate program focused specifically on researching and initiating projects to open the door for BC wood products into China.

The cornerstone of the program is the demonstration projects that FII leads in China to showcase BC wood products and wood construction technologies.

This initiative has led to the construction of wood demonstration structures in China:

- an 888 square metre (approximately 10,000 square feet) wood-products showcase and demonstration centre; and,
- two single-family wood-frame homes, known in China as villas.

In the future, commercial partnerships are expected to provide technical demonstration of hybrid construction (wood plus steel or concrete), renovation projects (of existing Chinese structures) or the construction of multi-storey, multi-family structures. Research and experience in China have confirmed that providing technical demonstration and technical support, combined with showcasing wood and wood-construction technologies, will be key to achieving market-development objectives in this market.

Mountain Pine Beetle Program

Recognizing the significant challenges created by the infestation of Interior BC pine forests by the mountain pine beetle and the anticipated killing of upwards of 80% of BC's pine forests within the next

six to eight years, FII has established a dedicated program to support market research, market development, product development, technical and manufacturing research, as well as market communications associated specifically with this issue.

FII has been tasked with the delivery of this product research and development program with funding from the Mountain Pine Beetle Emergency Response: Canada-B.C. Implementation Strategy – the province's three-year business plan for the $100 million received from the federal government to mitigate impacts of the beetle.

Key program activities are delivered by forest research institutes, post-secondary institutions and by industry trade associations. Given the considerable volume of wood fibre impacted, FII has also taken an active role in new market and new product development initiatives by working with BC forest companies and international wood product purchasers to evaluate future opportunities.

Domestic Development Program

While the core of FII's investments is focused on international markets and developing opportunities for BC wood products globally, FII recognizes that pursuing domestic opportunities for market growth within BC also carries strong potential as part of a strategic portfolio of programs.

FII is making investments in projects to expand non-residential construction opportunities for BC wood products within the province. Strategies include providing resources to identify projects that could use wood instead of competing products, technical support to overcome any technical barriers, design requirements, or engineering specifications required to expand wood use in large commercial, industrial, recreational or institutional structures.

As a part of this program, FII is also supporting activities to increase the use and showcasing of wood in BC including in the Vancouver Convention Centre and 2010 Olympic venues.

These venues provide high-profile opportunities to showcase BC's wood products, species, and innovative applications to test out and prove the expanded application of BC's wood products in large recreational structures. This technical work is intended to help open the door for further expansion of wood construction technologies in the years ahead, both in BC and in key export markets.

FII also supports projects that help improve the competitiveness of the BC forest industry (with a specific focus on the secondary manufacturing sector) by identifying opportunities to improve manufacturing technology and process engineering and to help transfer this technology to the sector.

These projects are typically delivered by forest research institutes, post secondary institutions and trade associations. Some direct investments in projects may be made in order to showcase wood products and address technical constraints to market growth and development.

BC MARKET OUTREACH NETWORK

Over the past 15 years, environmental campaigns have called into question a range of forest practices around the world. The campaigns have, in some cases, touched major forest-product buyers and caused some customers to review their buying patterns.

The BC Market Outreach Network (BCMON) is an in-house FII program that provides international buyers and others with credible facts that BC forest products come from well-managed forests.

Environmental campaigns that promote misleading or incorrect information are quickly challenged by BCMON and its partners. They also monitor the development of draft legislation and procurement policies that could impair the flow of BC forest products into a particular market, making relevant officials aware of frequently unintended consequences if the legislation or policy is adopted.

CORE PROGRAM AREAS AND SERVICES

The program achieves its goals by:

- working with industry associations, embassies and federal and provincial ministries to ensure a coordinated and strategic approach to market communications;
- gathering market research information about customers' environmental concerns which is used to support activities;
- distributing information materials, including fact sheets and an up-to-date website www.bcforestinformation.com, to respond to market issues and changes in forest policy;
- attending major international trade shows to ensure customers and potential customers have information on BC's forests and environmental performance; and,
- leading the sector in on-going market monitoring to identify emerging issues and recommending and implementing strategic response.

BCMON and its partners also use ongoing market monitoring to identify emerging issues so the program and partners can maintain a leading, proactive stance in market communications and prepare relevant intervention material when needed.

Corporate support

Corporate support includes responsibility for the financial management and control of the corporation, information systems, human resources and performance management. Corporate services focus on internal management and employees, as well as serving the board of directors, government and partners by ensuring a high level of performance, accountability and adherence to government policies.

FII was incorporated on March 31, 2003 under the *Business Corporations Act*.

FII operates under an agreement with the Ministry of Forests and Range and is accountable to a board of directors consisting of the Deputy Ministers of Forests and Range, Finance, and Economic Development.

The Board of Directors is supported by an audit committee which reviews, recommends and in some instances, approves financial statements and other financial information. Members of the committee are the:

- Deputy Minister of Finance;
- Assistant Deputy Minister of Management Services, Ministry of Economic Development; and,
- Assistant Deputy Minister of Corporate Services, Ministry of Forests and Range.

Board's governance principles

The Board of Directors has adopted the guiding principles included in the provincial government's Governance Framework that outlines the roles and responsibilities of all parties that are part of the Crown corporation governance environment. The guiding principles relate to:

- stewardship, leadership and effective functioning of the board;
- clarity of roles and responsibilities;
- openness, trust and transparency;
- service and corporate citizenship;
- accountability and performance; and,
- value, innovation and continuous improvement.

Strategy Committee

FII is also supported by a strategy committee of seven senior executives from the Coastal and Interior forest industries representing primary and secondary manufacturing as well as the remanufacturing sectors. The committee members meet regularly to provide strategic advice to FII on programming, investments and organizational objectives.

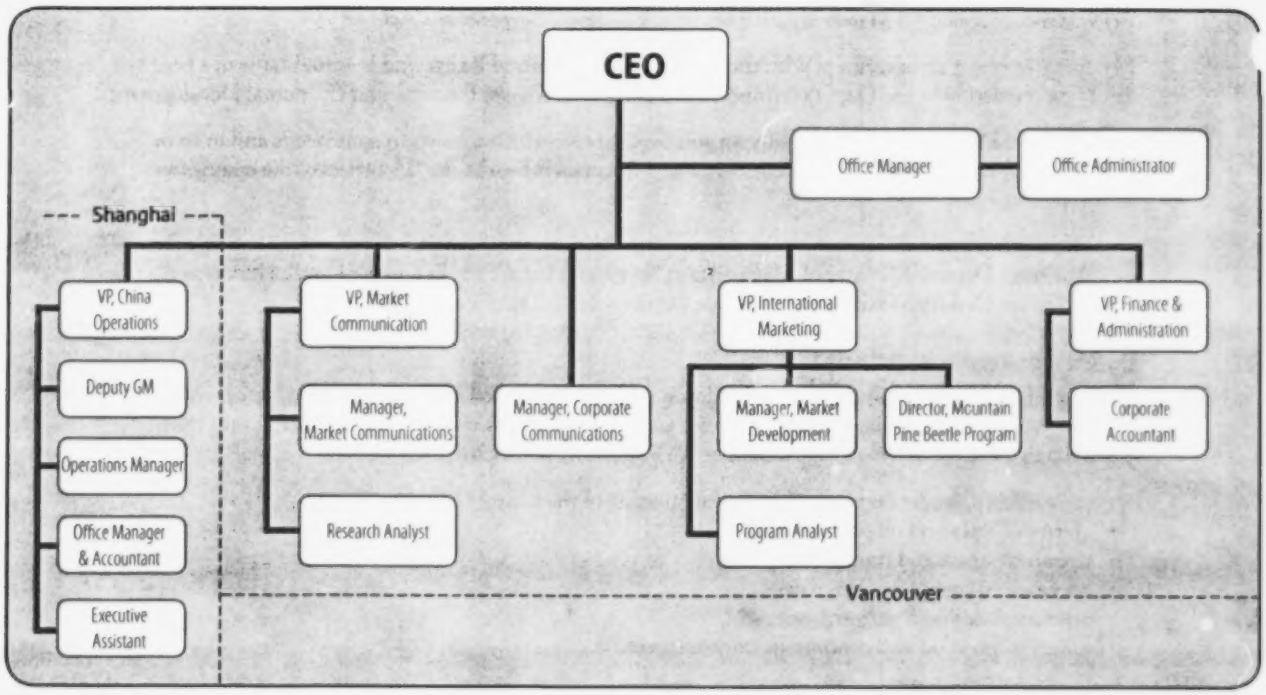
FII subsidiary

FII operates a subsidiary office in Shanghai, China called FII Consulting (Shanghai) Co., Ltd., (FII Shanghai.) The company is registered in China to meet the legal requirements of the People's Republic of China. As a wholly foreign-owned enterprise, FII Shanghai is able to use facilities constructed in Shanghai to provide consulting services to FII and others, allowing FII to pursue its marketing and promotional activities in the Chinese market.

Organization Chart

FII carries out its programs and services with 18 staff in corporate offices in Vancouver and Shanghai, China as shown in the following chart (shown on following page).

GOVERNANCE



Corporate locations

FII's corporate office is located at 1200 - 1130 West Pender Street in downtown Vancouver, British Columbia while the company's subsidiary office is located in Shanghai, China in the Dream Home Canada Demonstration Centre.

Minister Responsible

The Minister of Forests and Range is responsible for FII.

Vision

FII is an innovative and collaborative forest marketing support and funding agency that meets the needs of government, the BC forest industry, international markets and British Columbians.

Mission

To support the BC forest industry to develop and market forest products for customers around the world.

Values

A Balanced Portfolio of Investments – FII seeks an appropriate balance between short-term and longer-term public investments across the range of forest products and markets to optimize the rewards to British Columbia.

Focus on Partnerships – FII works in partnership with Canada and industry associations to ensure programs are efficiently delivered in a coordinated manner. FII encourages innovative programs and responses to changing circumstances.

Integrity and Credibility – Projects and services are delivered by capable, motivated individuals who focus on ensuring FII programs are credible and useful. FII staff learn from the past and continuously improve the effectiveness and efficiency of FII programs by consulting widely and optimizing the use of resources, based on transparent decision-making and investment processes.

PLANNING CONTEXT

Supporting BC's Forest Economy

In 2004, BC's forest products represented a $15 billion industry or 29% of BC's goods-producing GDP[1]. In 2003, the forest industry made $2.75 billion in payments to governments[2]. The sector directly employs an estimated 90,000 workers and another 130,000 through indirect employment. An estimated one job in five in BC is connected to the forest industry.

Operating in an International Context

Forest products accounted for 48% of the province's total exports ($31.6 billion) in 2004[3]. Ninety-five percent of these exports go to two markets: the United States and Japan. Other markets for BC products are in Europe, Australia and New Zealand with smaller volumes to China, Taiwan and South Korea.

There are unique challenges involved in building successful business relationships in international markets, from understanding cultural differences to recognizing different business protocols and laws.

Some foreign markets have uncertainties in political or economic environments and potential currency rate fluctuations, which have to be considered.

Maintaining access to key existing markets (most notably the United States, Japan and Europe) and developing new ones (especially China and Korea) often require overcoming misconceptions about forest products, practices and wood-construction technologies.

Barriers in emerging markets include fire codes, misconceptions about seismic performance, phyto-sanitary measures and concerns regarding wood's reliability and durability in some climates. In some markets, developers, builders and regulators may be unfamiliar with wood products and construction techniques. FII and its forest sector partners continually assess this broader operating context to identify strategic opportunities and potential barriers to be overcome.

Dealing with Competition

For decades, the world market for forest products was largely supplied by a handful of countries with Canada accounting for a large share of the world's export trade. Today, many countries are entering key BC markets, putting pressure on prices and exerting strong competition for market share in many product categories.

At the same time, wood is facing competition from suppliers of substitute products such as concrete, steel and plastics. FII and its partners work closely with customers to understand and respond to their needs and invest in new and improved products which solve product or application problems.

Promoting BC's Sustainable Forest Management

Customers want assurance that BC products come from sustainably managed forests. The province must provide credible and timely information to show that BC's publicly owned forests are well managed and that products from these forests are an environmentally superior building choice.

As more jurisdictions embrace the green building movement and customers more closely examine the source of their forest products, BC is well positioned due to its stringent forest policies and high level of independent third-party, forest certification.

FII will continue to work with industry partners so that BC can solidify and capitalize on its reputation as a leader in the sustainable management of forests and producer of high-quality and competitive forest products.

KEY STRATEGIC ISSUES

Mountain Pine Beetle Epidemic

BC is responding to an unprecedented epidemic of the mountain pine beetle, and other forest health agents that have affected large volumes of timber. FII has created a program focused specifically on

[1] BC Stats

[2] R.E. Taylor - BC Wood Products and Exports Overview, Oct. 2004

[3] BC Stats

mountain-pine-beetle-affected timber and is working with industry and government to find new markets and products for this wood. The objectives will be to:

- determine processing and product performance properties of dead pine trees for key wood and pulp and paper products;
- eliminate any trade barriers to markets related to pine products;
- identify new market opportunities for existing products;
- identify new product opportunities; and,
- extend information to complement production decisions and to maintain markets for manufactured products from beetle-attacked pine.

Coastal Industry

British Columbia's Coastal forest industry has experienced a decade or more of changing market preferences, evolving market demand, a shift in harvesting from old growth to second-growth areas, and an evolution of manufacturing technologies and sawmilling operations. Given the compromised position of Hemlock and Balsam Fir (Hem-Fir) in international markets, the Coastal industry recognizes a fundamental need to re-position its tree species, products and markets for wood products. FII expects to support this work.

Asia Pacific Strategy

British Columbia has embarked on a strategic expansion of Asia Pacific markets and the preparation of market development strategies across a wide range of economic sectors. Led by the Ministry of Economic Development, the Asia Pacific Trade Council and a host of committees and volunteers, important steps are being taken to advance British Columbia's objectives in the Asia Pacific region in concert with various federal government departments and recent "gateway" strategies. FII will place a high priority on investments that are consistent with and support BC's Asia Pacific strategy.

2010 Olympics and the Vancouver Convention Centre

The 2010 Olympics and Paralympics Games will turn the world's attention to British Columbia. On behalf of the province, FII will work to ensure that many of the games venues showcase a wide range of forest products in structural and finishing applications. Similarly, FII will work with Vancouver Convention Centre Expansion Ltd. to incorporate BC wood products throughout the expanded facility, leading to some 800,000 delegate-days of visibility each year.

Disaster-Related Reconstruction

Two major disasters in the past year, the tsunami that struck Southeast Asia and the earthquake that devastated northern Pakistan, have triggered the BC forest industry's interest in providing wood products for broad reconstruction. FII has been involved in testing the economics and logistics of providing wood-frame technology solutions to Indonesia and expects to similarly investigate the possibilities in Pakistan.

Risk and Capacity

The demand for BC's forest products is influenced by a host of factors, the most important of which are the strength of the Canadian currency against the Japanese yen and the U.S. dollar, and the demand for new housing in Japan and the U.S. In tracking BC's success in established and emerging markets, FII readily recognizes that its control over marketplace outcomes is very limited.

In its first three years, about half of FII's budget has been used to fund work undertaken by industry associations, research institutes and universities. Success in delivering FII's programs depends heavily on the willingness of those parties to (a) propose worthwhile activities with a strong focus on results, and (b) deliver approved projects in ways that achieve the intended objectives. FII will continue to rely heavily on these other parties and will closely manage these investments to support the achievement of results. This is the essence of FII's partnership-based approach to business.

GOALS, OBJECTIVES, STRATEGIES AND TARGETS

Forestry Innovation Investment Ltd. expects to fulfill its mission and vision by achieving four goals. Goals 1 and 3 have been modified slightly this year to provide clarification on what FII aims to achieve, as well as to more accurately reflect its partnership arrangements and activities.

With the refinement of its goals, FII has also updated its performance measures to provide a more concise, higher-level statement of expectations and to make activities more easily understood by non-industry readers.

FII's Goals for 2006/07 are:

Goal 1: Diversified market opportunities for BC forest products.
Goal 2: BC positioned as a global leader in sustainable forest management.
Goal 3: Collaborative delivery of market-development activities that optimize provincial, federal, and private-sector contributions.
Goal 4: An effective and well-managed organization.

Goal 1: Diversified market opportunities for BC forest products.

The success of BC's forest industry is largely dependent on being well informed, diverse and responsive to customer preferences and market opportunities. The global marketplace for forest products is becoming very competitive with CIBC World Markets pointing to a world oversupply of wood. Moreover, markets are seeing an influx of lower-priced and lower- quality products as well as wood believed to be illegally harvested in some countries.

FII is working with its partners in a strategic and long-term way to ensure that BC producers:

- are positioned to take advantage of opportunities as they arise;
- can respond to the challenges and changes in traditional markets;
- offer the products that customers want; and,
- are a reliable source of the world's finest wood products.

FII and its partners are also working to inform marketing decisions with thorough research and market intelligence. With such information in hand, the industry can make strategic decisions on where to target their products, where to explore new partnerships and where the most effective business opportunities and future sales lie.

Diversifying BC's markets for forest products is important to the long-term success and prosperity of the industry. FII assesses progress in this regard by tracking the BC industry's volume and value of sales, as well as market share, in the United States, Japan, the European Union, China and Korea.

Objectives:

FII's objectives include:

- Ensuring BC species are flowing to existing and emerging markets where there is the greatest opportunity to establish, maintain and increase sales;
- Ensuring BC forest products have access to markets free from trade and regulatory barriers;
- Ensuring buyers, consumers, designers, builders, developers and architects know about BC species and related wood products and the many positive features they bring to wood-frame construction, interior and exterior finishing and landscaping;
- Supporting the development of innovative new forest products;
- Supporting the introduction of international best practices in manufacturing and technology transfer to improve the competitiveness of the BC sector; and,
- Providing markets and audiences with information on the properties and qualities of BC's premier forest products and the BC companies that supply them.

Strategies:

FII intends to:

- With our partners, collect comprehensive market information and develop market-specific strategies for inclusion in the province's Asia Pacific Strategy;
- Develop and implement strategies to remove technical and non-tariff barriers that affect market access;
- Identify and test innovative applications for new wood products;
- Determine the level of market acceptance for new and existing products and applications;
- Increase market awareness, acceptance and demand;
- Adopt and promote Canada Wood branding in all emerging markets;
- Begin implementation of a new three-year China workplan involving FII Shanghai and the Canada Wood Group; and,
- Begin to fund research and development in the pulp and paper and non-timber forest products sectors.

Performance Measures	2006/07 Forecast	2007/08 Target	2008/09 Target
In supporting the government's Asia Pacific Strategy, develop and implement the forest sector strategies for each market.	Implement new three-year China workplan. Update and expand Korea strategy. Develop United States non-residential strategy. Effective implementation of existing strategies.	Review and update existing Japan strategy. Effective implementation of existing strategies.	Develop India strategy. Effective implementation of existing strategies.
Achievement of pre-identified milestones needed to enable access to new markets, such as new building and fire codes.	Market access checklist implemented to quantify and track achievement of milestones in China and Korea. Complementary roles and responsibilities clearly accepted by stakeholders.	Demonstrated completion of milestone objectives in market access checklist.	Demonstrated completion of milestone objectives in market access checklist.
Implement demonstration projects to showcase BC wood products and wood-construction technology.	Two villas completed in Shanghai. One renovation project in Shanghai. One demonstration project in Beijing. China renovation market strategy in place.	One to two demonstration projects completed in China. Demonstration planning done in Korea.	One to two demonstration projects completed in China. One demonstration project complete in Korea.
Implement a program to promote wood use in non-residential structures.	Develop US non-residential strategy. Provide technical resources to promote wood use/showcase wood in BC's Olympic facilities.	Implement US non-residential program. Designs for Olympic venues to incorporate BC wood products.	Evaluate US non-residential program. BC wood products showcased in Olympic venues.
Implement the new Mountain Pine Beetle Program.	Fund projects proposed by industry associations, Forintek and UBC. Self-initiate work to fill gaps identified by involved stakeholders.	Continued collaborative program of investments. Effective communication of the results of investments.	Independent evaluation of the effectiveness of the program.

GOALS, OBJECTIVES, STRATEGIES AND TARGETS

Goal 2: BC positioned as a global leader in sustainable forest management.

Forest product customers around the world are increasingly looking for assurance from their suppliers that the products they purchase come from sustainably managed forests. As a result, BC must be well positioned as a global leader in sustaining environmental values and forest resources.

The province's commitment to sustainable forest management represents a significant advantage as customers are increasingly factoring environmental practices into purchasing decisions. FII is committed to providing a broad audience, especially forest product customers in the U.S., Japan and Europe, with accurate and factual information about forest management in BC to support their purchasing decisions.

Surveying customers, influencers and decision makers is basic to understanding customers' preferences and measuring the effectiveness of FII's activities. FII conducts customer surveys, in partnership with other organizations, to determine trends in the marketplace, customer perspectives and the effectiveness of market communications materials. The results of these surveys guide BCMON's activities. In addition, FII regularly surveys the forest sector to determine the usefulness of the Network's activities and recommendations for action.

Strategies

FII's strategies include:

- Gathering market intelligence through research and surveys.
- Providing international customers with timely, credible information regarding BC forest practices.
- Monitoring and analyzing the internet and mainstream and trade media.
- Building and maintaining support for BC as world leader in sustainable forest management.
- Positioning the BC Market Outreach Network as a credible source of factual information regarding forest management in BC.
- Providing advocacy support where BC forest products are unfairly targeted.
- Conducting in-market activities through trade shows, seminars and meetings with customers.
- Developing and leading forest tours for customers and key influencers.
- Producing technically accurate and credible information materials for a broad international and domestic audience.

Performance Measures	2006/07 Forecast	2007/08 Target	2008/09 Target
Extent to which BC is seen as a reliable supplier of forest products from sustainably managed forests.	Implement recommendations from 2005/06 survey of international customers.	Survey customers.	Implement recommendations from 2007/08 survey.
BCMON's effectiveness at communicating and advocating for the BC forest sector.	Implement recommendations from 2005/06 survey of stakeholders.	Survey stakeholders.	Implement recommendations from 2007/08 survey.

Goal 3: Collaborative delivery of market-development activities that optimize provincial, federal and private-sector contributions.

Collaboration and a culture of innovation are essential to the long-term competitiveness of BC's forest sector. FII works in partnership with other government agencies, academic institutions and the forest sector to improve the level of co ordination with key partners, establishing greater cohesion within the forest sector and increasing the level of partner participation in FII initiatives.

Maintaining the level of collaboration and partnered investments is critical to international market research and implementation strategies.

In 2005, FII engaged Decima Research to survey key stakeholders, partners and clients regarding the administration of funding programs, the importance of specific activities, such as tradeshows, and support for various programs and services. Approximately 50 respondents were asked to participate in the survey. The findings will be available in late 2005 and will help guide FII in 2006/07 as it continually strives to maximize partnered relationships and collaboration.

FII's objective is to maintain or increase the level of partner support for FII-funded projects and initiatives.

Strategies

FII's strategies include:

- Taking advice monthly from FII's industry Strategy Committee and semi-annually from larger stakeholder workshops.
- Cost-sharing projects with industry associations, research institutes, universities and the federal government.
- Harmonizing the federal and provincial processes for funding applications, evaluation, awards and auditing.
- Identifying and developing sector-wide options to increase the level of partner support for international marketing.
- Periodically surveying partners and collaborators to gauge their views and level of support for partnered activities.

Performance Measures	2006/07 Forecast	2007/08 Target	2008/09 Target
The demonstrated willingness of key partners to commit financial resources to joint initiatives.	In-market development activities with indicator of 50% contribution from industry and the federal government.	Continued partner investments in joint initiatives.	Continued partner investments in joint initiatives.
Level of qualitative support for FII's collaborative efforts with partners.	Implement recommendations from 05/06 partner survey.	Survey partners.	Implement recommendations from 07/08 partner survey.

GOALS, OBJECTIVES, STRATEGIES AND TARGETS

Goal 4: An effective and well-managed organization.

FII is a highly focused and dynamic organization that maintains flexibility to respond to emerging forest sector needs while maintaining low overhead and operating expenses.

FII is committed to the development and implementation of sound business practices incorporating sound financial controls, a performance management framework and a monitoring, audit and evaluation program built on a comprehensive risk-assessment strategy, all developed in accordance with government policies and guidelines.

FII's objectives are to ensure that:

- The organization is efficient, transparent, and results-focused.
- Staff are fully competent and dedicated to the company's success.

Strategies

FII's strategies include:

- Continued implementation of a rigorous program of monitoring, auditing and evaluating partner-delivered projects, according to explicit risk assessments.
- Ensuring regular and accurate reporting on the results of investments in support of corporate goals and objectives and in accordance with government and contractual requirements.
- Ensuring that staff are afforded periodic opportunities to formally and confidentially comment on their working environment.

Performance Measures	2006/07 Forecast	2007/08 Target	2008/09 Target
Funding recipient and FII staff compliance with comprehensive and robust policy and planning framework.	Compliant internal and external financial audit reports.	Compliant internal and external financial audit reports.	Compliant internal and external financial audit reports.
Degree of staff commitment to the organization.	Implement recommendations from 2005/06 staff satisfaction survey. Minimal staff turnover.	Staff satisfaction survey. Minimal staff turnover.	Implement recommendations from staff satisfaction survey. Minimal staff turnover.

Forestry Innovation Investment Ltd.
Service Plan Budget 2005 - 2009

	Actual 04/05 ($000's)	Projected 05/06 ($000's)	Budget 06/07 ($000's)	Budget 07/08 ($000's)	Budget 08/09 ($000's)
Revenue					
Contribution from the Province of BC	$ 15,907	$ 22,800	$ 27,520	$ 22,300	$ 19,700
Transferred from deferred Revenue	$ 547	$ 600	$ 1,600	$ 1,500	$ 1,300
	$ 16,454	$ 23,400	$ 29,120	$ 23,800	$ 21,000
Expenses					
Market Development Programs (1)	$ 11,973	$ 18,700	$ 22,820	$ 17,600	$ 14,900
B.C. Market Outreach Network	$ 2,736	$ 2,900	$ 3,400	$ 3,300	$ 3,300
Corporate Services	$ 1,198	$ 1,200	$ 1,300	$ 1,400	$ 1,500
Total Expenses	$ 15,907	$ 22,800	$ 27,520	$ 22,300	$ 19,700
Operating Income	$ 547	$ 600	$ 1,600	$ 1,500	$ 1,300
Amortization	$ 547	$ 600	$ 1,600	$ 1,500	$ 1,300
Net Income	$ -	$ -	$ -	$ -	$ -
Retained Earnings	$ -	$ -	$ -	$ -	$ -
Capital Expenditures	$ 1,910	$ 400	$ 25	$ 25	$ 25
FTE's					
Vancouver BC	12	13	13	13	12
Shanghai China	5	5	5	5	5
(1) Includes Mountain Pine Beetle Program ($000's)	$ -	$ 1,350	$ 2,250	$ 2,700	$ -

Note: The 2006/07 budget shown here is a projection and contingent upon decisions of the Ministry of Forests and Range taking into account the recommendations of the Forest Investment Council which will meet January 27, 2006 to consider the Forest Investment Account. Funding flows to FII from the Forest Investment Account via the Ministry of Forests and Range. Decisions by the ministry will determine the allocation to FII.

Forestry Innovation Investment Ltd.
Service Plan Budget 2005 - 2009

	Actual 04/05 (000's)	Projected 05/06 (000's)	Budget 06/07 (000's)	Budget 07/08 (000's)	Budget 08/09 (000's)
Revenue					
Contribution from the Province of BC	$ 15,907	$ 22,800	$ 27,520	$ 22,300	$ 19,700
Transferred from deferred Revenue	$ 547	$ 600	$ 1,600	$ 1,500	$ 1,300
	$ 16,454	$ 23,400	$ 29,120	$ 23,800	$ 21,000
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Operating Income	$ 547	$ 600	$ 1,600	$ 1,500	$ 1,300
Amortization	$ 547	$ 600	$ 1,600	$ 1,500	$ 1,300
Net Income	$ -	$ -	$ -	$ -	$ -
Retained Earnings	$ -	$ -	$ -	$ -	$ -
Capital Expenditures	$ 1,910	$ 400	$ 25	$ 25	$ 25
FTE's					
Vancouver BC	12	13	13	13	12
Shanghai China	5	5	5	5	5
(1) Includes Mountain Pine Beetle Program (000's)	$ -	$ 1,350	$ 2,250	$ 2,700	$ -

Note: The 2006/07 budget shown here is a proposed and unapproved spending level of the Ministry of Forests and Range taking into account the recommendations of the Forest Investment Council who will meet January 25, 2006 to consider the Forest Investment Account Funding Plan for FII from the Forest Investment Account via the Ministry of Forests and Range. Decisions by the Minister will determine the allocation for FII.

FINANCIAL NOTES

Risks and Assumptions

The continuity of FII's investments, programming and activities depends upon:

1. The provincial legislature continuing to vote funds to the Forest Investment Account (FIA) sub vote of the Ministry of Forests and Range; and,
2. The Ministry of Forests and Range allocating a given portion of the FIA sub vote to Forestry Innovation Investment Ltd.

FII's continuity is therefore entirely in the hands of the legislature and the ministry.

In the 2006/07 fiscal period, it is assumed that FII will be allocated a significant share of the anticipated increase in the FIA sub vote to cover commitments that will otherwise have to be met in future fiscal years when the sub vote is scheduled to decline.

FII's mountain pine beetle work is predicated on continuing funding from the Mountain Pine Beetle Emergency Response: Canada-B.C. Implementation Strategy, the province's three-year business plan for the $100 million received from the Government of Canada to mitigate the impact of the beetle. With allocations from this fund, FII will be able to continue to fund research and development work related to mountain pine beetle wood.

FII assumes partners will continue to use funding provided by FII to deliver approximately half of FII's programming. Forest industry associations, research institutions and universities are all expected to continue to propose eligible and acceptable projects for FII funding.

Through FII's China office and development partner Jingqiao Development Co., FII is projecting the completion of two villas (homes) in early 2006. The completion of the structures will trigger the pre-paid lease amortization in 2006/07 and for the following two years.

On February 8, 2005, the Honourable Iona Campagnola delivered the Speech from the Throne to open the 6th session of the 37th Parliament. The speech outlined five goals:

1) To make BC the best educated, most literate jurisdiction on the continent.
2) To lead the way in North America in healthy living and physical fitness.
3) To build the best system of support in Canada for persons with disabilities, special needs, children at risk, and seniors.
4) *To lead the world in sustainable environmental management, with the best* air and water quality, and the best fisheries management, bar none.
5) To create more jobs per capita than anywhere else in Canada.

FII directly links to **Goal 5** by supporting the BC forest industry's prosperity and success through international sales of forest products.

An estimated 90,000 British Columbians are directly employed by the forest sector while secondary employment is estimated to be about 130,000 workers. BC's forest industry accounts for one job in every five in the province. Through strong sales, workers in direct and indirect jobs associated with the forest sector gain and maintain employment.

Approximately 85% of BC's forest product sales are targeted to customers in the United States, Japan and Europe. The prosperity of the forest sector, and the province, depends on maintaining and building demand for our products in these world markets.

The strength of the industry is fundamental to the economic well-being of British Columbia.

With robust product sales in foreign markets, BC's forest companies, their suppliers and the workers they employ, make significant contributions to the provincial economy. BC relies on these revenues to provide critical educational, health, social and infrastructure services that support each of the province's five goals.

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